P

G. R. S. IX-5]

Previous references.

File No. 40-16

1916-17

Serial Nos. 8, 9, 11 & 15

(S. F.)

Later references.

S. F. 16-17 B, 15 April 18.

P=16.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 8-9, 11 & 15

Part B for February 1917

SUBJECT.

Bank of Mysore –

56 15.

From

The Manager,

Bank of Mysore –

Letter of 6-2-17 –

Forwards for information copy of the minute passed by the Board at their meeting on the 15th inst. touching the financial assistance promised the Bank when necessary –

N. B. Filed with out any orders. As no action was necessary.

M. P. received 13-3-17

W D 88—GPB—50,000—24-7-16

G. R. S. 11] 191 6.–17

GENERAL AND REVENUE SECRETARIAT.

(Gr. 7)

NOTES.

C. F. File No. 40–16

FILE HEADING.

Bank of Mysore

From

The Chairman –

No. 90 Dated 10–1–1917 Received 11–1–17

Diary No. 15-34 | Enclos. Nil Spare Copies. | Serial No. 8.

BRIEF ABSTRACT OF LETTER.

Requests temporary financial accommodation for the Bank from Govt. for the purpose of financing trade during the next 3 or 4 months

NOTES AND ORDERS.

No papers other than the present receipt is pending in Branch II – on the subject

2: The latest weekly Statement of affairs recd. from the Bank is

NOTES—First Sheet.

WD 1233—GPB—60,000—1-12-16—S.

G. R. S. III-2

General and Revenue Secretariat.

S. F. File No. 60 of 1916

(2)

Serial No.

is put up.

E 3° It will be seen that the cash under 'assets' comes in for 13,40,772 - & of this an amount of 8,02,889 is Savings Bank Deposits.

4.C° Interest is offered for any accomodation that may be given by Govt — but it is only 5-% (Vide Chairman's letter d 31-12-1916)

5° The Chairmans letter to the Diwan intimating the successful working of the Bank during the half year ended 31st Dech 1916 is also put up.

D 6° Para 3 of the letter (Diwan) states that at your instance Sir Chettyar has kindly said he would try & let us have 3 Lakhs in January & 3 Lakhs in February at 5-% for a few months.

Sd/-

Sd

12/1 7. With respect to ~~respect~~ the portion marked A at page 3 of the paper under disposal, it is sub? that the Bank has been given another deposit of Govt. money at a concession rate of

How much?

When?

NOTE—Contn. sheet.

18

12-1-17.

WD 1233—GPB—60,000—1-12-16—S.

G. R. S. III-2

General and Revenue Secretariat.

(3)

S.F. File No. 620 of 1916.

Serial No.	
	interest at 3%.
	8. As regards the accommodation of 3 Lakhs required by the Bank in January — vide Chairman's letter dt 31-12-196 — it is respectfully submitted that on account of monetary stringency during that month, Govt are thinking of requesting the G of I to allow the Durbar to postpone the payment of one-half the subsidy payable on 31-1-1917 to 31-3-1917. A draft proposed to the Residency is now pending before the Dewan.
	9. Under such circumstances it is doubtful whether Govt will be in a position to accommodate the Mysore Bank during that month without themselves going in for accommodation in the Presidency Banks. The aid required during February and March may, if no accommodation is obtained by Govt. from Presidency Banks, subject to payment after accrual of revenue in the Treasury, be perhaps granted on the understanding that the rate of interest offered by the Mysore Bank is not lower than that offered by other Banks where Govt money is usually lodged.
	~~[illegible]~~
	12/1/17 ~~[illegible]~~

NOTE—Contn. sheet.

WD 1233—GPB—60,000—1-12-16—S.

1534

G. R. S. III-2

General and Revenue Secretariat.

G.R. File No. 60 of 1916

Serial No.

60.

The information would by the Fl dept is not furnished - Have we any deposit in the Madras Bank if so what extent - Please put up the Cash Bank returns - [illegible]

12-1-17.

Mr MSE will please look into this

15/1

4 I understand that we have no fixed deposit in the Madras Bank at present - The balance in current a/c in that bank is at present about 27 lakhs. The Bank of Mysore has been given in addition to 5 lakhs - Cuddapah another 5 lakhs at 3% int - Their deposit of 8 lakhs in the S.B has been withdrawn - proposed withdrawable

Verify

17 Whether any cash balance will afford to provide for the accumulation of 5 1/2 lakhs as desired in Fl dept and is perhaps doubtful. The Complt may be consulted - U.O. -

In this connection it may be suggested that the Bank of Mysore may approach this Govt for short term deposit at 5% - in view of the opinion recorded by the Fin dept in reply to the Palace Complts query regarding the advisability of purchasing additional shares at a premium in the Jalahalli Hydro Electric Power supply Co -

Fl dept).

18

15.1.17.

Compltt

13 Will you kindly give your opinion as to whether, if necessary, 6 lakhs can be given to Mysore Bank from Feby/March for 3 or 4 months, from the balances -

MS 24/1/17

NOTE—Contn. sheet.

I have expressed my opinion on this proposal in my demi-official letter dated 14th October 1916 to the Financial Secretary. It is possible to accommodate the Bank to the extent of 6 lakhs for about 3 or 4 months and I think the conditions on which the loan can be given should be those mentioned in my letter.

2. Mr. Puttanna Chetty's letter contains a number of misconceptions. He proposes that the loan should be given without security and thinks that the demand for security is unwise and improper. When the Mysore Government cannot get any temporary loan from the Presidency Banks without giving security and when the Presidency Banks themselves cannot get any loan from the Government of India without giving adequate security, I do not understand how the Mysore Bank expects to get a loan from the Government without security ~~or bond~~ and how Mr. Puttanna Chetty considers the demand for security as unwise or improper. Mr. Puttanna Chetty thinks that the demand for security is based on the recommendation of the Royal Commission on Indian Finance and Currency. My proposal about security was not made on any such recommendation and it is entirely based on one of the cardinal principles of conducting business of this kind.

3. Mr. Puttanna Chetty seems to regard the amount kept by us in the Madras Bank as a loan given to it without security for financing Indian trade and states that it is invidious to deny similar financial aid to the Mysore Bank. Our account with the Madras Bank is a purely current account and the

balance

balance to its credit is absolutely at call and we are, as a matter of fact, drawing on it every day. A loan for a fixed period to the Mysore Bank is in every way different from an amount which we keep in a current account with the Madras Bank and I can not understand where our partiality to the Madras Bank comes in at all.

4. Mr. Puttanna Chetty also states that while the Government of India keeps a large part of its balance in the Madras Bank the Mysore Government keeps none with the Mysore Bank. The balance of the Government of India on the Madras Bank is absolutely at call and the keeping of any money of the Government of India in the Bank is incidental to the arrangement under which part of the Government treasury business is entrusted to it. When there is no such arrangement with the Mysore Bank I cannot see how there is any analogy on which Mr. Puttanna Chetty relies for asking for a loan without security or for asking for any part of the Government balance being kept in the Mysore Bank.

5. Mr. Puttanna Chetty states that the Government of India have given to every Branch of the Madras Bank a free balance of 3 lakhs. This balance is entirely for encashment of currency notes and is not available for employment by the Bank.

6. Mr. Puttanna Chetty thinks that the amount of 6 lakhs is not large compared with the resources of the Bank. But it is 50 per cent of the called up share capital and reserve funds of the Bank.

7. Mr. Puttanna Chetty states that the Mysore Bank has left a sum of about 8 lakhs in Mysore Government Savings Bank. This arrangement is

entirely in the interest of the Bank itself. The Bank treats this amount ~~xxxxx~~ practically as cash balance as it is at call and keeps it in the Savings Bank to earn interest at 3⅛% per cent while it would have earned nothing if it had been kept as cash balance in the Bank.

8. I think the rate of 5 per cent proposed by Mr. Puttanna Chetty is unacceptable. Whatever loan we may give to the Mysore Bank will be by transfer of funds from ~~of~~ our account with the Madras Bank, where it is already earning interest at 6 per cent. The Bank rate is now 8 per cent and it is most unlikely that in the next 3 or 4 months there will be any reduction in this rate. So, whatever amount we keep in the Madras Bank is certain to earn interest at 6 per cent and there is no reason why any part of such amount should be lent to the Mysore Bank at a lower rate of interest. The Mysore Bank itself will be earning interest at a much higher rate than 8 per cent (which is the rate for only loans at call and covered by security of Government paper) and there is no reason why it should not pay 2 per cent ~~x~~ less than what it itself gets on the money it lends.

9. In view of what I have stated above, I consider that the ~~check~~ conditions on which accommodation can be given to the Bank should be what I have stated in my letter of 14th December 1916, namely:-

(1) ~~It~~ The loan should bear interest at 2 percent below the Bank rate.

(2) It should be covered by adequate security in the form of Government of India Promissory notes or Mysore State Papers. If the Bank cannot furnish the whole security in the form of the above papers the balance to the credit of the Bank in the Government Savings Bank may be offered as security. The value of the security offered in this form will be the balance in favour of the Bank.

The portion of the loan to be made on the Security of Government of India 3½% notes may be calculated at 70 per cent of the face value of the paper pledged as security. If the Mysore State Loan paper is given, 95% of its nominal value may be given

M N Venkatachar

Offg: Comptroller.

22-1-17

P. J. C

1534

G. R. S. 12]

General and Revenue Secretariat. | F. & C. File No. 160 of 1916.

Serial No. 23

(1) I agree with the Comptr that the rate of interest may be 2% below the Madras Bank rate. The M. B. rate being 8%. now, the present rate of interest charged will be 6%.

(2) As regards demanding security, I think the Comptroller's contention is strictly & technically correct but at the same time there is practically no risk in dispensing with the security in the present case. As it has been decided in another file to close the Banks' Savings Banks acct. the Bank may not require any loan at all. But if necessary it there would be no harm in helping the Bank as requested and the promise referred to in the last part of Mr. Puttanna Chetty's letter of 10.1.17 may be made.

25. (3) If approved the draft D.O. put up herewith will come in

1542/24.1

23.1.17

1st member

Dewan

If the draft may be approved

24/1

Draft approved by Dewan.

Recd 25/1/17 1-30 pm.

4270/25.1.17

NOTE—Contn. sheet.

GPB—70,000—17-12-15

WD 1233—GPB—60,000—1-12-16—S.

1753 Nerlu.

G. R. S. III-2]

General and Revenue Secretariat. GJ File No. 40 of 1916.

Serial No.	
15	Letter J. 6-2-17 from the Manager Bank of Bengal forwards for information copy of the minute passed by the Board at their meeting on the 1st instant touching the financial assistance promised to the Bank when necessary.
	30 Instd. to action seems necessary on this communication.
	16 22/2/17

NOTE—Contn. sheet.

G. F. 40-46
Ser: .8.

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE - 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

No.....

D.1534

Bangalore, 10th January 1917

My dear Mr. Chakravarti,

I recently spoke to the Dewan in the matter of getting some temporary financial accomodation for the Bank from Government for the purpose of financing trade during the next 3 or 4 months, and he was good enough to refer the matter to you. I now learn from a conversation that Mr. Rose had with Mr.M. N. Krishna Rao on the 5th inst. that the latter is of opinion that any accomodation to be given by the Government would only be on the deposit of Government securities. I do not wish to discuss the wisdom or propriety of the Offg. Comptrollers stipulation, based as it apparently is on the recommendation of the recent Royal - - Commission on Indian Finance for the Government of India to give financial help out of surplus treasury balances to the public through the Presidency Banks on the security of Government Paper, but it is unnecessary to state that the financial conditions prevailing in Mysore and British India are vastly different. Our merchants do not invest in Government securities, neither have the Bank thought it advisable to do so, in the present abnormal times, but have preferred to leave their reserves and balances averaging Rs.9½ lacs during the past six months in the hands of

of the Mysore Government. Under the circumstances it is asking for the impossible to demand Government securities for the temporary assistance which the Bank might ask for in the interest of trade. So far as the Bank's interests alone are concerned, the Directors are indifferent whether the Government promise or decline financial help, but they would naturally like to assist the trade of the State if possible rather than see the agricultural produce of the country sacrificed through monetary pressure etc. It however, appears to me somewhat invidious that a semi-state Bank purposely established to finance the trade of the State should be denied temporary financial aid, and that the funds of the Government placed at the disposal of a Presidency Bank, without security, thus enabling the latter to finance India trade at the expense of trade within the State. Before the Bank was established the Government were pleased to grant financial concessions to the Bank to the extent of ten lacs, without security, and now when the Bank has created a Reserve Fund of about 2 lacs, and have its own funds with the Government to the extent of 8 lacs, not to mention the reserve liability of shareholders for another ten lacs capital, the question of security is raised for a possible temporary loan of 5 to 6 lacs. I may, also, point out that the Government of India who are under obligation to keep some 35 lacs

lacs only with the Bank of Madras have maintained with this institution, for some time now, a balance approaching a crore of rupees, and have further agreed to give a free balance of 3 lacs for every Branch opened. Whereas on the other hand the Mysore Bank with 7 Branches, and excluding the 5 lacs concession deposit, have no free balance from the Mysore Government. I venture to think the parallel desired by the Offg. Comptroller for adoption by the Government is altogether premature. It should, also, be remembered that the Bank are not asking for a free loan, but one, if required, at 5% interest for 3/4 months or a lesser period. It is possible that the present stringency for money may ease off and no help required, but all that is desired from Government is a promise that if financial assistance is required the Government will be pleased to grant same to the extent of 5 or 6 lacs during February/March as kindly stated by the Dewan. The management with this promised assistance will then be in a position to reduce the present limits of reserves by 50% and thereby refrain, possibly, from borrowing from the Government. I hope you will be good enough to pardon my addressing you at this length, but the importance of the subject is my only excuse. May I solicit the early orders of the Government on this matter ?

Yours sincerely,

Chairman.

Dewan Bahadur R. Ry. Chakravarti
J. S. Chakravarti, Esq.
Financial Secretary to
Govt.
Bangalore.

2 Copies

D.O.No. 235 dated 28-1-17

F. 40—16
Sin. 9

My dear Mr. Puttannachetty,

With reference to your letter dated the 10th January 1917, I am directed to state that it will be possible for the Mysore Government to afford financial assistance to your Bank if necessary, to the extent of 5 or 6 lakhs during February--March for a period of three or four months. The Government will not press for security ~~in this case~~, if the loan does not extend beyond June 1917 and the rate of interest will be 2% below the Madras Bank rate. The Comptroller will be informed accordingly.

Yours sincerely,

25-1-17
Ro

23-1-17

Ro No H 4207 dy 29 Jany/17.

Copy to Compt.r with Compliments.

29-1-17

WD 1233—GPB—60,000—1-12-16—S.

(7)

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 191

G. I. 40—16
Sec: II

ALL COMMUNICATION TO BE ADDRESSED
TO THE MANAGER.
TELEGRAPHIC ADDRESS: "MYSOREBANK."
CODE: A. B. C. 5TH EDITION.

The Bank of Mysore, Ltd.,

No. D/o

Bangalore, 29th Jan. 1917

D 1753

My dear Mr. Chakravarti,

I am in receipt of your D/O letter No.235 dated 28th inst, and beg to thank you for so kindly agreeing to afford the Bank financial assistance, if necessary, to the extent of Rs.5 or 6 lakhs during February/March for a period of three or four months. I note the conditions of the advance and which are acceptable to the Bank

Yours sincerely,

Chairman.

Dewan Bahadur Rajamantrapravina
J. S. Chakravarti, Esq. M.A., F.R.A.S., &c.
Financial Secretary to Government.
Bangalore.

NOTE—Contn. sheet.

WD 1233—GPB—60,000—1-12-16—S.

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 191.

Serial No.

The Bank of Mysore Ltd.,

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

No

Bangalore 6th Feb. 1917

GRANT No. 1864

1916 17
SECTION S-F.
FILE No. 40-16
SERIAL No. 15

Rajamantrapravina Dewan Bahadur
J. S. Chakravarti, Esq. M.A., F.R.A.S., &c.
Financial Secretary to the Government of Mysore.

My dear Mr. Chakravarti,

In further reply to your D/O letter of the 28th January 1917 No.235, I now append at foot the minute passed by the Board at their meeting on the 1st inst. touching the financial assistance promised to the Bank when necessary.

Yours sincerely,

Chairman.

"D/O letter No.235 dated 28th Jan.1917 from the Financial Secretary re: grant of financial assistance to the Bank during this busy season, if needed, was read and recorded. Resolved that the Financial Secretary be thanked for the promised assistance. The Board authorize the Manager to apply to the Government and obtain funds should he be in need of any financial assistance."

Chairman.

NOTE—Contn. sheet.